

IMF Concludes Article IV Consultation With Barbados

by Amanda Banks, Tax-News.com, London 19 June 2008

An International Monetary Fund (IMF) mission headed by Christina Daseking, Deputy Division Chief in the Western Hemisphere Department, issued the following statement at the end of its discussions in Bridgetown on Tuesday:

"An IMF team visited Bridgetown during the past two weeks to review recent economic and financial developments and discuss economic prospects and policies, as part of its routine annual consultation with Barbados. The team met with officials in the Ministries of Finance and Economic Affairs, Labor, Transport, Social Care, and Foreign Trade, the Central Bank of Barbados, and representatives of the private sector and labor, and the opposition."

"The discussions were held against the backdrop of significant challenges arising from a weaker external environment and mounting international price pressures for food and fuel. Given these factors, the mission projected a slowdown of economic growth this year to 2.25% from 3.25% last year, a temporary spike in inflation to 9% from 4% in 2007, and a rise in the current account deficit to 8.5% of GDP from 7.25% the previous year."

"With the government's options constrained by high public debt and the exchange rate peg to the US dollar, the mission recommended a coordinated policy response, involving the government, the central bank, and the social partners to share the burden of a necessary adjustment:

- Fiscal policy should focus on creating space for targeted support to vulnerable groups, while bringing the public debt ratio on a firmly declining trend over the medium term;
- Monetary policy should aim at containing future inflation expectations;
- Incomes policy should support fiscal and monetary policies by promoting wage moderation within the established tripartite framework, thereby preserving price stability and protecting employment; and
- Financial sector policies should focus on further strengthening financial sector regulation and supervision and improving cross-border cooperation among regulators and supervisors."

"On its return to Washington D.C., the team will prepare a staff report that is tentatively scheduled to be discussed by the IMF's Executive Board in late July. It is expected that the staff report will soon thereafter be published, including on the IMF's external website," the statement concluded.